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DEC EXCISE PETE 04 LIBYA (E)

Department of State **TELEGRAM**

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DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY C DATE 8/17/71
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ACTION AF-05

INFO OCT-01 SS-20 E-02 L-02 I -06 CIAE-00 NEA-08 EUR-12
NSC-10 NSCE-00 RSR-01 R INT-01 COM-02 /071 W
020570

R 161003Z MAR 70
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC 5995
INFO AMEMBASSY ALGIERS
AMEMBASSY BEIRUT
AMEMBASSY BENGHAZI
AMCONGEN DHAHRAN
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY TEHRAN

C O N F I D E N T I A L TRIPOLI 0486

LIMDIS

SUBJ: POSTED PRICE NEGOTIATIONS

REF: TRIPOLI 0445

1. [redacted] B4

[redacted] MINISTRY'S LATEST POSITION ON POSTED PRICE INCREASE. INCREASE SOUGHT AMOUNTS TO 13 CENTS, BACKDATED TO 1965, RISING BY ONE CENT PER YEAR TO 23 CENTS FOR 1975. COMPONENTS OF INCREASE ARE AS FOLLOWS:

A. 6 CENTS - FREIGHT DIFFERENTIAL,
B. 2 CENTS - GRAVITY ALLOWANCE,
C. 5 CENTS - MAINTENANCE ALLOWANCE TO OFFSET SAVINGS ON REFINING OF LOW SULFUR CRUDE,
D. 1 CENT PER YEAR INCREASE IN POSTED PRICE FROM 1965 THROUGH 1974 TO REFLECT ANTI-POLLUTION VALUE OF LOW SULFUR CRUDE.
E. ADDITIONALLY, APPLICATION OF CUSTOMARY 2 CENT GRAVITY DIFFERENTIAL TO CRUDES ABOVE 40 DEGREES API. (THIS WOULD AFFECT EX-

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2. [redacted] MINISTER'S STATEMENT WAS MADE IN HIS USUAL UNEMOTIONAL MANNER AND WAS NOT ACCOMPANIED BY THREATS OF UNILATERAL ACTION OR IMPOSITION OF TIME LIMIT. HOWEVER, [redacted] MINISTER COMMENTED THAT LIBYA BEGAN BY REQUESTING 80 CENT PRICE INCREASE IN 1967 AND HAD LOWERED DEMANDS TO 44 CENTS (AT OPENING CURRENT NEGOTIATIONS) AND NOW TO 19 CENTS (FOR 1970), WHILE COMPANIES HAD REMAINED FIRM IN REJECTING ANY INCREASE. IT NOW WAS TIME, MINISTER SAID, FOR COMPANIES TO MAKE OFFER. B4 B4

3. [redacted] B4

4. COMMENT: MINISTRY'S POSITION ON SULFUR WOULD ESTABLISH NEW PRECEDENT FOR INTERNATIONAL PETROLEUM INDUSTRY AND WOULD BE REOCCUPATION OF TERRITORY COMPANIES APPEARED TO HAVE WON, E.G., U/S QABLAAWI INDICATED TO EMBOFF WEEK AGO HE ACCEPTED INDUSTRY'S ARGUMENT THAT LOW SULFUR CRUDE HAS NO EFFECTIVE PREMIUM IN PRESENT EUROPEAN MARKET. WE CONTINUE TO BELIEVE MINISTRY IS SEEKING PRICE INCREASE OF ABOUT 20 CENTS, WHETHER OR NOT IT CAN PRODUCE TECHNICAL JUSTIFICATION FOR ITS CASE, ON BASIS THIS WOULD BE QUOTE FAIR UNQUOTE TREATMENT FOR LIBYA AND IS APPROXIMATE VALUE OF QUOTE EXCESS UNQUOTE OIL INDUSTRY PROFITS. (EMBASSY'S ASSESSMENT OF COST AND CONSEQUENCES OF INCREASE OF THIS MAGNITUDE GIVEN IN TRIPOLI 375, PARAS 4 AND 5.)

5. WE BELIEVE NEGOTIATIONS WILL MOVE SLOWLY TOWARD CONFRONTATION. HOWEVER, MINISTER'S ANTICIPATED ABSENCE FROM TRIPOLI TO ATTEND OAPEC MEETING ON ALGERIAN MEMBERSHIP, TENTATIVELY SCHEDULED FOR MARCH 19, INDICATES COMPANIES WILL BE GIVEN SOME TIME TO CONSIDER LARG'S DEMANDS. GP-4.
PALMER

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